

Message Text

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SUBJECT: CAPITAL MARKET SURVEY FOR EXIM BANK

REF STATE 74005

1. AVAILABLE INFORMATION ON SIZE OF SPANISH CAPITAL MARKET AND ON FINANCIAL ACTIVITIES OF ELECTRIC UTILITIES AS FOLLOWS (FIGURES ARE IN MILLIONS OF PESETAS AND ARE CONVERTED TO DOLLARS IN PARA 2 AT FOLLOWING AVERAGE EXCHANGE RATES: 1970 69.70 PESETAS TO THE DOLLAR; 1971 69.30; 1972 64.47; 1973 58.02; 1974 57.78; 1975 56.05.):

A) TOTAL PRIVATE FIXED INCOME SECURITIES (E.G., BONDS) ISSUED BY OTHER THAN INDUSTRIAL BANKS: 1970 44,058; 1971 40,987; 1972 48,735; 1973 64,735; 1974 75,665; 1975 (FORECAST) 95,000. THESE ARE ISSUES OF OVER 5 MILLION PESETAS ONLY AND REPRESENT ALL BUT VERY SMALL PART OF TOTAL MARKET. INCLUDED IN THESE AMOUNTS ARE FOLLOWING FIGURES FOR BONDS ISSUED BY ELECTRIC UTILITIES: 1970 19,050; 1971 15,199; 1972 17,928; 1973 17,355; 1974 20,700. PROPOSED BORROWING FOR 1975 BY ELECTRIC UTILITIES IS 26,285. THESE UTILITY FIGURES FOR ALL YEARS COVER BOTH PRIVATE AND PUBLIC FIRMS.

B) IN ADDITION TO ABOVE ISSUES FROM PUBLIC UTILITIES AND INDUSTRIAL, COMMERCIAL, AND CONSTRUCTION FIRMS, FOLLOWING AMOUNTS WERE RAISED THROUGH SIMILAR, ONN-EQUITY

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SECURITIES BY INDUSTRIAL BANKS: 1970 12,425; 1971 5,200;

1972 22,750; 1973 77,000; 1974 65,000. 1975 ESTIMATE NOT AVAILABLE.

C) EQUITY RAISED BY NON-FINANCIAL FIRMS WHOSE SHARES ARE QUOTED ON SPANISH STOCK EXCHANGES WAS 38,930 IN 1970; 38,404 IN 1971; 44,725 IN 1972; 56,667 IN 1973; AND 58,533 IN 1974. EQUITY RAISED BY NON-QUOTED, NON-FINANCIAL FIRMS WAS 17,692 IN 1970 22,168 IN 1971; 23,893 IN 1972; 27,174 IN 1973; AND 25,176 IN 1974.

D) EQUITY RAISED BY FINANCIAL INSTITUTIONS (BANKS, INSURANCE COMPANIES, AND REAL ESTATE FIRMS) WHOSE SHARES QUOTED ON STOCK EXCHANGE WERE: 1970 5,575; 1971 6,254; 1972 11,692; 1973 19,984; 1974 26,130. EQUITY RAISED BY FINANCIAL FIRMS NOT QUOTED ON EXCHANGE WAS: 1970 4,030; 1971 6,088; 1972 5,823; 1973 9,652; AND 1974 32,102.

E) GROSS CENTRAL GOVT FINANCING (BONDS, VARIOUS CERTIFICATES AND OTHER INSTRUMENTS, ETC.) WAS: 1970 22,263; 1971 68,141; 1972 47,540; 1973 68,306; 1974 97,096.

F) GROSS DOMESTIC BORROWING BY OTHER OFFICIAL ORGANIZATIONS (ALMOST EXCLUSIVELY INI) WAS: 1970 13,461; 1971 9,243; 1972 17,263; 1973 12,977; 1974 10,563.

2. FROM ABOVE FIGURES TOTAL MARKET PLUS THE SHARE REPRESENTED BY FIXED INCOME BORROWINGS BY ELECTRIC UTILITIES AS FOLLOWS (AMOUNT OF EQUITY RAISED BY ELECTRIC UTILITIES NOT AVAILABLE): 1970 158,434 MILLION PESETAS (\$2,273.1 MILLION), 12 PERCENT FOR ELECTRIC UTILITIES: 1971 196,485 MILLION PESETAS (\$2,835.3 MILLION), 7.7 PERCENT; 1972 222,421 MILLION PESETAS (\$3,450.1 MILLION), 8.1 PERCENT; 1973 336.495 MILLION PESETAS (\$5,799.6 MILLION), 5.2 PERCENT; 1974 390,263 MILLION PESETAS (\$6,754.2 MILLION), 5.3 PERCENT. ASSUMING SOME OF EQUITY RAISED WAS BY ELECTRIC UTILITIES, THE TOTAL CAPITAL (DEBT AND EQUITY) RAISED BY THESE UTILITIES IS OBVIOUSLY A HIGHER PERCENTAGE OF TOTAL CAPITAL RAISED THAN ABOVE PERCENTAGES. OF TOTAL CAPITAL MARKET AS INCLUDED HERE, AVERAGE OF 1970-74 PERIOD SHOWS THAT FIXED INCOME SECURITIES ISSUED BY PRIVATE FIRMS REPRESENTS 35 PERCENT, PRIVATE EQUITY ISSUES 36.9 PERCENT, AND PUBLIC BORROWING (INCLUDING INI) 28.1 PERCENT.

3. BEYOND ESTIMATED 1975 BORROWINGS BY ELECTRIC COMPANIES, UNCLASSIFIED

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MINISTRY OF FINANCE WOULD NOT SUPPLY ANY PROJECTIONS FOR CAPITAL MARKET FOR 1975 OR BEYOND. IT IS, HOWEVER, WORTH NOTING THAT VERY LARGE PORTION OF FUNDS COMES FROM CAJAS DE AHORRO (SAVINGS BANKS) AND THAT GOS CLOSELY CONTROLS DESTINATION OF THESE FUNDS. FOR EXAMPLE, OVER 74 PERCENT OF FIXED INCOME BORROWING BY PRIVATE NON-FINANCIAL INSTITUTIONS IN 1973 WAS SUPPLIED BY CAJAS WHICH MUST PUT 40 PERCENT OF THEIR LOANS INTO PUBLIC BORROWING OR INTO OTHER OBLIGATIONS

DETERMINED BY GOS. AS MINFIN OFFICIAL NOTED, THERE IS
PRACTICALLY NO REAL BOND MARKET AS SUCH SINCE MOST ISSUES
ARE SIMPLY SOLD TO CAJAS. GOS, CONSEQUENTLY, SHOULD BE IN
POSITION TO ASSURE THAT LOCAL FUNDS WILL BE AVAILABLE FROM
CAJAS FOR NUCLEAR PROJECTS.
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